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United States
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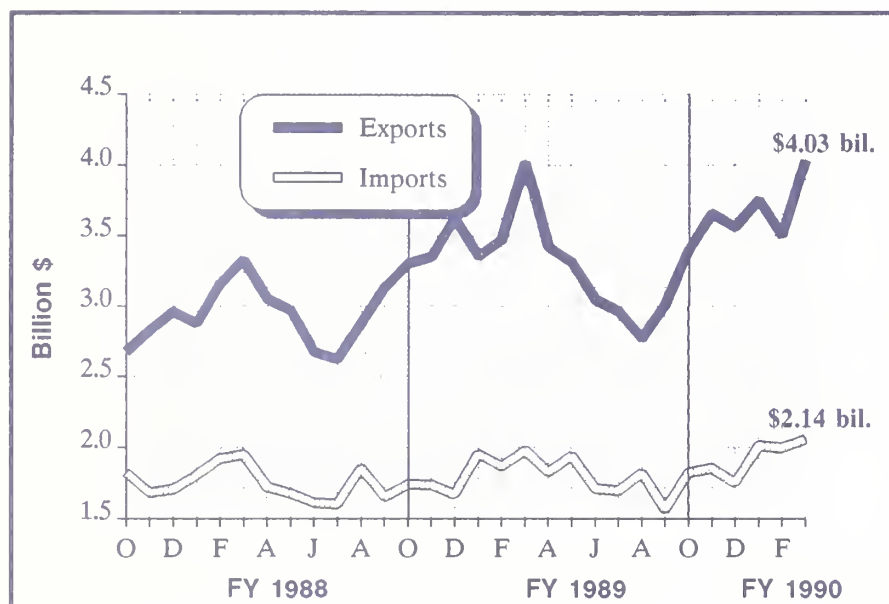
Circular Series

ATH 5-90
May 1990

AGRICULTURAL TRADE HIGHLIGHTS

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March Exports Top \$4 Billion... Highest Level in 10 Years



March trade data released by the Commerce Department on May 17 placed U.S. agricultural exports at \$4.03 billion and 14.6 million metric tons. This is the highest monthly export value figure in 10 years and the fourth highest on record. While this performance is outstanding, it should be noted that March is normally a peak month for agricultural exports. Compared with last March, the monthly total was up \$10 million in value but down 518,000 tons in volume.

March's performance brought the cumulative export total (October-March) for fiscal 1990 to \$21.9 billion and 83.8 million tons, compared with \$21.1 billion and 76.8 million tons for the first half of fiscal 1989. These figures represent increases of 4 per-

cent in value and 9 percent in volume.

Commodity standouts for the month included soybeans, soybean oil, sunflowerseed oil, corn gluten feed, cotton, poultry meat, hides and skins, fresh and processed vegetables, fresh deciduous fruits, melons, almonds, and nursery products. Wheat, corn, soybean meal, animal fats, and beef were among the major decliners in March.

At \$827 million, the European Community (EC) was the top market in March. Japan ranked second, at \$753 million, and was followed by Canada, at \$319 million; the Soviet Union, at \$326 million; South Korea, at \$277 million; and Mexico, at \$227 million. Compared with last March, the United States showed sales in-

creases in 5 of the top 10 markets for U.S. farm products. This is in line with year-to-date figures, which also indicate sales increases in 5 of the top 10 markets.

The largest export value increase was to Canada, with sales rising \$160 million, or 82 percent from last March. Beginning in January, the U.S. Bureau of Census began adjusting its export statistics with Canadian import statistics to account for unreported U.S. shipments to Canada. This change in method of reporting explains most of the \$500-million increase in sales to Canada for the January-March quarter of fiscal 1990.

Agricultural imports were at record levels in March, totaling \$2.14 billion, up \$152 million from February's total and up \$170 million from March 1989. This brought the import total for the first 6 months of fiscal 1990 to \$11.6 billion, compared with \$10.9 billion a year ago.

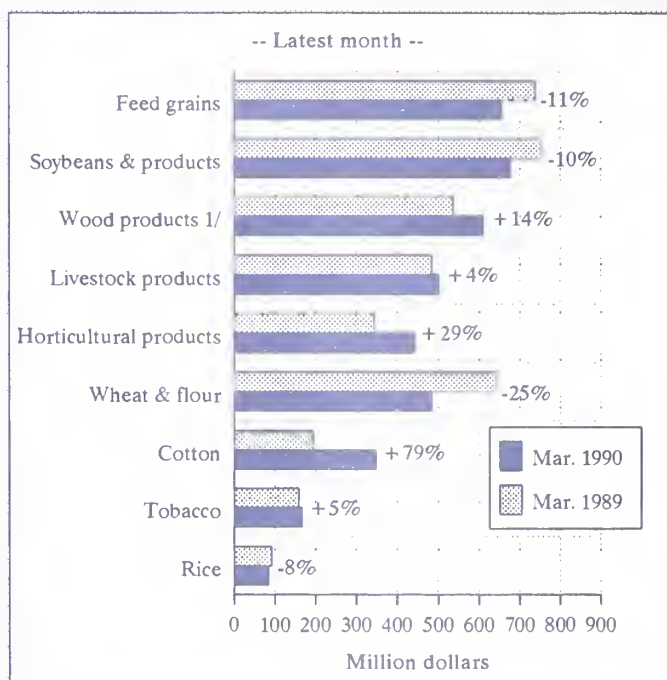
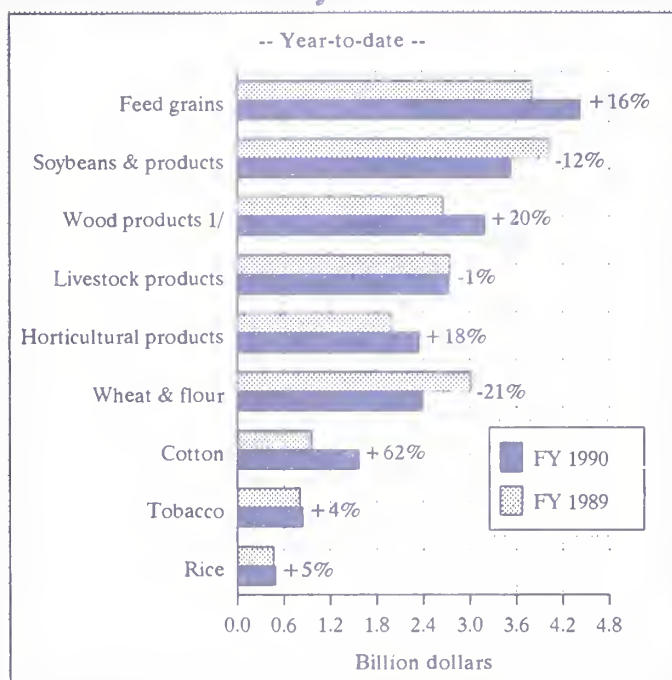
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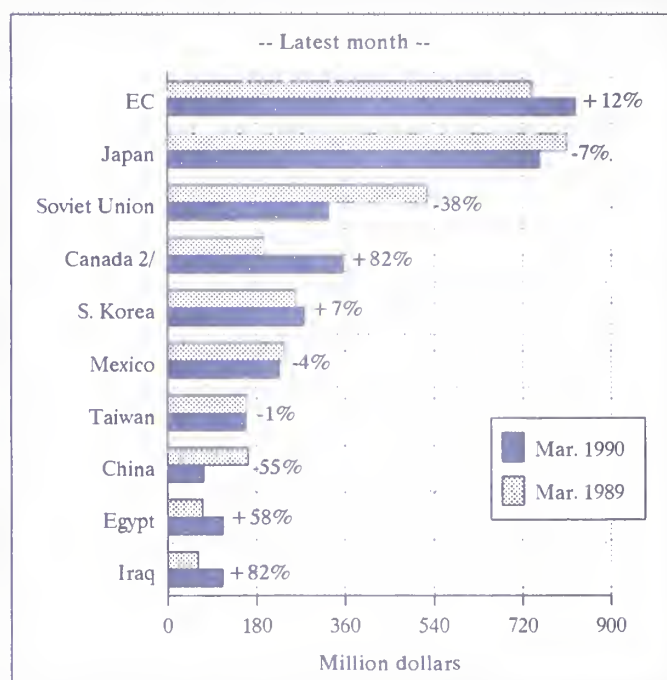
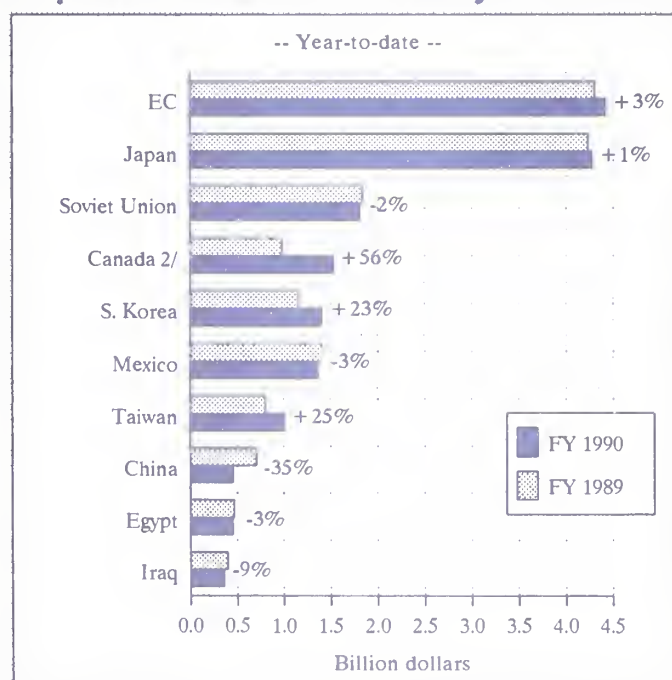
U.S. Agricultural Export Summaries

October-March and Latest Month Comparisons

Product Summary



Top Ten Markets Summary



Note: Percentages are computed as the change from a year ago.

1/ Not included in agricultural totals. 2/ U.S. agricultural exports to Canada have been under-reported in past years by about \$1 billion a year and officially recognized by both Governments. Effective January 1990, the U.S. Bureau of the Census began adjusting U.S. export statistics to account for these differences.

Commodity Highlights

March's trade report registered small export gains in value (up 0.2 percent) but small losses (down 3 percent) in volume from year-ago levels. Aggregate agricultural export value for the first half of fiscal 1990 advanced 4 percent, to \$22 billion, while export volume rose 9 percent, to 84 million tons. The EC moved ahead of Japan as the largest U.S. agricultural market for the first half of fiscal year 1990.

U.S. wheat and flour exports for March continued to decline in both value and volume. Export value fell 25 percent and volume dropped 24 percent compared with March 1989. During the first 6 months of fiscal 1990, export value declined 21 percent, to \$2.4 billion, and volume was down 23 percent, to 14.5 million tons. These declines were due to significant sales drops to China (down 58 percent), Pakistan (down 39 percent), and the Soviet Union (down 23 percent).

Feed grain exports for the month declined 11 percent in value, to \$655 million, and 3 percent in volume, to 5.8 million tons from year-ago levels. However, cumulative exports showed healthy increases of 16 percent in value and 28 percent in volume. Although feed grain imports by the top two countries--Japan and the Soviet Union--did not show significant changes, exports to Mexico, South Korea, and Taiwan showed strong growth.

Sluggish prices for soybeans and products caused by worldwide oversupply persisted for the month of March. As a result, March's U.S. exports fell 10 percent to \$676 million and volume gained 15 percent to 2.95 million tons. Similarly, October-March export value was down 12 percent, to \$3.5 billion, and volume increased 14 percent, to 15.3 million tons compared with year-ago levels. By destinations, soy product exports fell to the EC (down 6 percent),

Japan (down 19 percent), and South Korea (down 21 percent). The Soviet Union showed no change and Taiwan jumped 16 percent.

High foreign demand and tight worldwide supplies brought record gains in U.S. cotton exports for the month of March. U.S. cotton exports jumped 79 percent in value, to \$348 million, and 56 percent in volume, to 221,000 tons from year-ago levels. Cumulative exports have also scored impressive gains of 62 percent in value and 37 percent in volume. All major importers showed strong gains: Japan (up 50 percent), the EC (up 87 percent), South Korea (up 27 percent), China (up 108 percent), and Indonesia (up 107 percent).

Unmanufactured tobacco exports showed small changes. The March value was up 5 percent, to \$167 million, but volume was slightly lower (down 0.8 percent) compared with March 1989. The October-March figures were up 4 percent both in value and volume from year-ago levels, to \$848 million and 140,000 tons, respectively. All major markets except Japan showed substantial gains.

U.S. rice exports were a mixed picture. For the month, both value and volume declined 8 percent and 25 percent, respectively, compared with year-ago levels. However, U.S. export value during the first 6 months of fiscal 1990 showed a small gain of 5 percent although volume dropped

3 percent. Peru and Mexico rose sharply, rising 438 percent and 391 percent, respectively, while Iraq and the EC showed losses of 32 percent and 16 percent, respectively.

March's livestock export figure increased to \$501 million from \$483 million in March 1989. The increase was spread over several commodity groups, including pork, hide and skins, bull semen, and cattle embryos. Cumulative-to-date livestock exports are down 1 percent from last year's pace in value. Within the five major markets, Japan, South Korea, and Canada posted gains while the EC and Mexico showed losses.

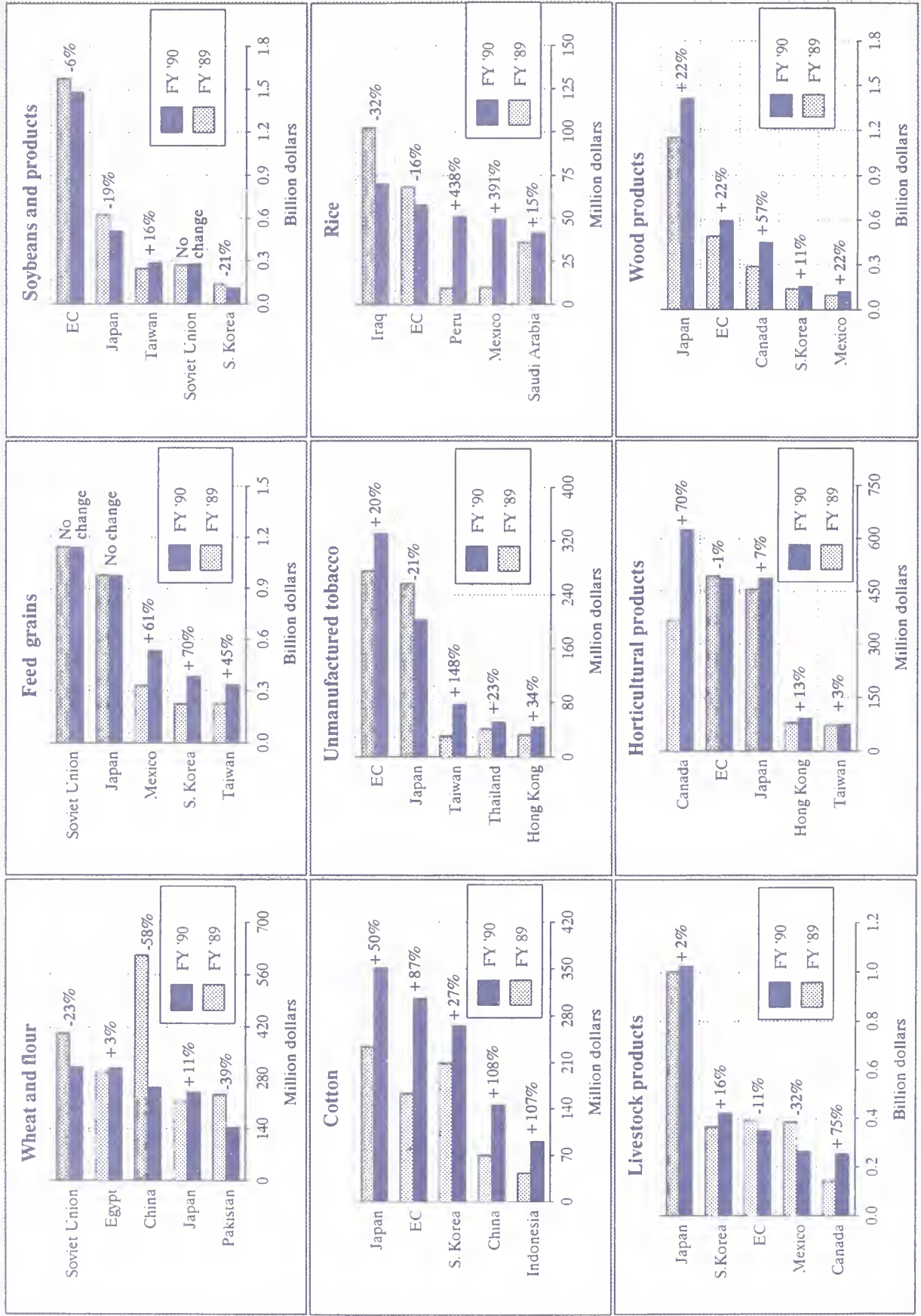
Horticultural products registered a 29-percent increase in value but a 17-percent loss in volume from last March. Higher prices for fruits and vegetables, edible tree nuts, nursery products, and cut flowers accounted for this. At \$624 million for the year, Canada surpassed the EC and Japan to become the No. 1 market for U.S. horticultural products.

March's wood product exports scored another impressive gain, with sales rising \$75 million from March 1989. This brings wood product exports to \$3.2 billion for the year, up 20 percent from the first half of fiscal 1990. Most of the rise was attributable to sharp increases in exports of hardwood logs, poles, plywood, and veneer. All major U.S. markets showed strong gains.

For more information, contact Emiko Miyasaka at (202) 382-9148.

Top Five Markets for Major U.S. Commodities

October-March Comparisons



Note: Percentages are computed as the change from fiscal 1989 to fiscal 1990.

Consumer-oriented Products Remain Leading Growth Category

Agricultural exports delivered steady growth in all product categories from last month, but *bulk* and *intermediate products* were down 3 and 4 percent, respectively, from year-ago levels.

Thus far this year, overall agricultural exports are up 4 percent from 1989 levels. These gains are due to increases in *consumer-oriented products*, up 11 percent, to \$4.4 billion; and bulk products, up 4 percent, to \$12.6 billion. Intermediate products are down 4 percent for this 6-month period, to \$4.8 billion.

At \$2.29 billion, March's bulk product total posted a loss of \$75 million from last March. Significant value declines were registered in wheat, down \$161 million; and corn, down \$71 million. These losses were partially offset by a large increase in

Asia is fastest growing market for U.S. products.

cotton exports. At \$348 million, March cotton sales were up \$154 million, or 79 percent from year-ago levels, and were at their highest monthly levels since March 1980.

Intermediate products also showed modest declines from a year ago, falling to \$905 million from last March's total of \$940 million. The year-to-year decline was almost entirely due to losses in soybean meal, which plummeted \$83 million, or 43 percent from a year ago. On a more positive note, growth was noted for several intermediate products, including feeds and fodders, up \$22 million; hides and skins, up \$17 million; and planting seeds, up \$4 million.

Consumer-oriented products remain the strongest growth category, increasing 14 percent over February and 17 percent over March 1989, to \$840 million. Red meat was the only major category to experience a decline (down 1 percent) from a year ago. Fresh fruits and vegetables and processed vegetables both registered significant growth in March, with 22 and 20 percent gains, respectively.

The largest growth markets were the Asian Tigers (Taiwan, Korea, Singapore, Hong Kong) and the ASEAN-4 (Indonesia, Philippines, Thailand, and Malaysia). Exports to the Asian Tigers have grown in all product categories, especially bulk, with cumulative-to-date fiscal year growth of 29 percent. Only 2 percent of total U.S. exports go to the ASEAN-4 countries, but growth in all three product groups has been remarkable this year (40 percent growth in bulk, 42 percent in intermediate, and 25 percent in consumer-oriented).

For more information, contact Kelly Kirby at (202) 382-1034.

Bulk commodities include wheat, rice, feed grains, soybeans, other unprocessed oilseeds, cotton, unmanufactured tobacco, planting seeds, and pulses.

Intermediate products are principally semi-processed products such as wheat flour, feeds and fodders, hops, oilseed meals, vegetable oils, hides and skins, animal fats, wool, and refined sugar. Live animals are also included.

Consumer-oriented products are fundamentally end-products that require little or no additional processing for consumption and include all items not listed in the above categories, such as fresh and processed horticultural products, fresh and processed meats, dairy products, table eggs, and bakery products.

U.S. Agricultural Exports by Major Processing Stage March 1990 versus Month-ago and Year-ago

Major Products Exported	Mar. 1990	Month Ago	Year Ago	% Change From Feb.'90 Mar.'89	
	-- Million \$ --				
Bulk products	2,285	2,014	2,360	13%	-3%
Corn	554	528	625	5	-11
Soybeans	535	457	532	17	1
Wheat	462	387	623	19	-26
Cotton	348	283	194	23	79
Tobacco	168	146	159	15	6
Rice	85	68	92	25	-8
Pulses	22	31	23	-29	-4
Intermediate products	905	750	940	21	-4
Feeds & fodders	216	135	194	60	11
Hides & skins	174	142	157	23	11
Soybean meal	111	112	194	-1	-43
Planting seeds	55	69	51	-20	6
Animal fats	45	31	48	45	-6
Consumer-oriented	840	735	721	14	17
Red meats	175	144	177	22	-1
Fresh fruits & vegetables	172	141	131	22	32
Processed fruits & vegetables	100	83	83	20	21
Poultry meat	60	58	44	3	36
Tree nuts	58	56	48	4	22
Grand total	4,030	3,498	4,021	0	4

Imports Reach Record in March As Fruits and Vegetables Lead Gains

U.S. agricultural imports hit a record of \$2.14 billion in March, rising \$152 million from February's import total and \$170 million from a year ago. For yet another month, increased purchases of higher-priced fruits and vegetables was the major contributing factor to the rise in import value. While *competitive products* advanced 14 percent from March 1989, *noncompetitive products* showed a 5-percent decline.

The cumulative value of imports through the second quarter of fiscal 1990 totaled \$11.6 billion compared with the \$10.9 billion recorded for October-March 1989. A 12-percent increase in competitive imports (which brought the 6-month competitive import total to \$8.7 billion) was completely responsible for the 6-percent gain in the year-to-date import value. It more than offset the 10-per-

Competitive products were the major contributors to March's record import level.

cent reduction in noncompetitive imports, which totaled \$2.8 billion for the October-March period.

As mentioned, fruits and vegetables were among the top competitive imports, showing increases of 43 and 33 percent, respectively, from year-ago levels. These surges reflect the impact of the December freeze on the domestic supply of these commodities. Substantially higher prices for Chilean grapes, Mexican strawberries, and Brazilian orange juice have been responsible for the boost in fruit imports while higher prices for Mexican tomatoes, peppers, onions, asparagus, and peas have

been responsible for the jump in vegetable imports.

Other top competitive products posting notable gains from March 1989 included beef and veal (from Australia, New Zealand, Canada, and Argentina) and pork (from Canada and Denmark), both with increases of 24 percent. A smaller 6-percent gain was recorded for dairy and poultry products.

Among the noncompetitive products, a 29-percent increase in the price of tea caused a 15-percent rise in the value of tea imports from last March. The higher import values for coffee, bananas, and plantains were attributable to higher volume shipments. Rubber and allied gums, which displayed the most significant decline of all imported products, plunged 43 percent, followed by cocoa and spices, down 14 percent and 8 percent, respectively.

The EC's lead as the major supplier of U.S. agricultural imports fell further in March. Both Mexico and Canada continue to profit from its loss in market share. Mexico, benefiting from higher fruit and vegetable prices, increased the value of its sales 50 percent in March, and Canada, benefiting from purchases of beef and pork, raised its sales 5 percent. Mexico's gains in recent months allowed it to surpass Canada as the second largest supplier of agricultural imports.

For more information, contact Kathleen Anderson (202)382-9055.

Noncompetitive imports do not compete with U.S. production and include: bananas/plantains, coffee (incl. processed), cocoa (incl. processed), rubber/allied gums, spices, essential oils, tea, and carpet wools. All other imports are classified as competitive.

U.S. Agricultural Imports by Major Product Sector

March 1990 versus Month-ago and Year-ago

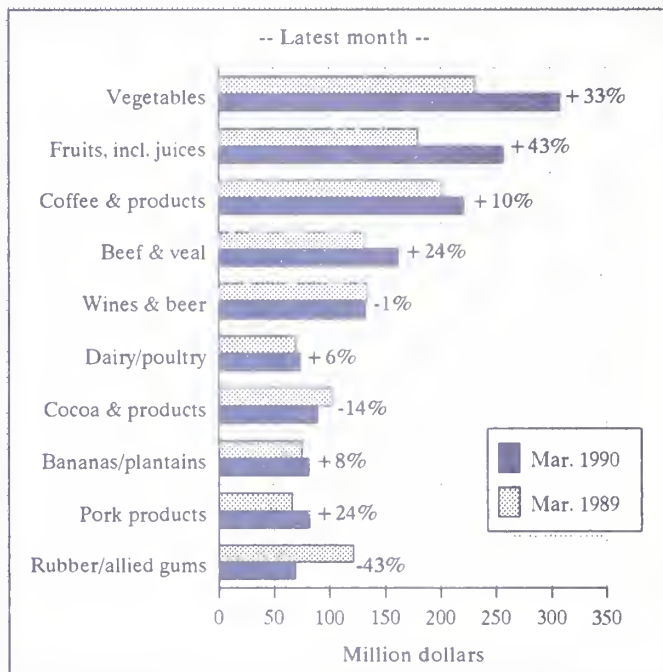
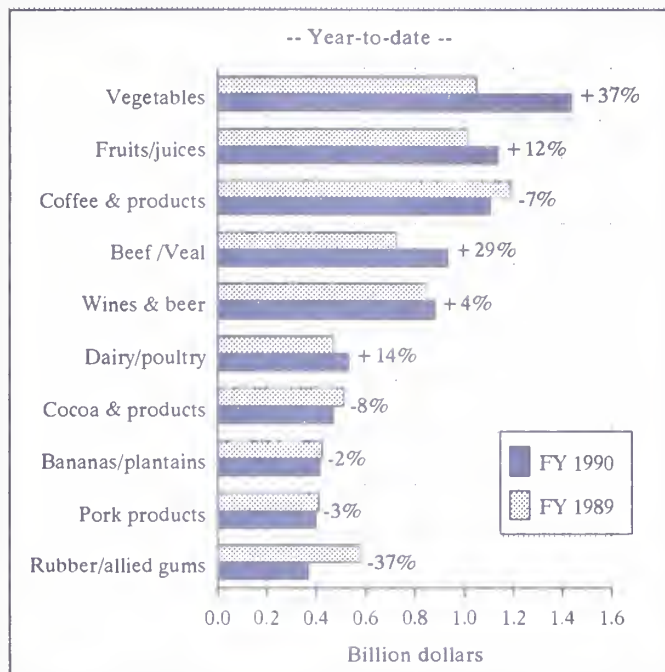
Import Category	Mar. 1990	Month Ago	Year Ago	% Change From Feb.'90 Mar.'89	
	-- Million \$ --				
Total competitive	1,593	1,550	1,394	3%	14%
Vegetables	308	337	231	-9	33
Fruits, incl. juices	257	256	180	0	43
Beef & veal	162	140	131	16	24
Wines & beer	132	109	134	21	-1
Dairy/poultry	73	73	69	0	6
Pork	82	63	66	30	24
Total noncompetitive	550	441	579	25	-5
Coffee & products	221	187	201	18	10
Cocoa & products	89	74	103	20	-14
Bananas/plantains	81	65	75	25	8
Rubber/allied gums	69	52	121	33	-43
Spices	24	13	26	85	-8
Tea	15	12	13	25	15
Total agri. imports	2,143	1,991	1,973	8	9

Source: Commodity Trade Analysis Branch, Economic Research Service, U.S. Department of Agriculture, Washington, D.C.

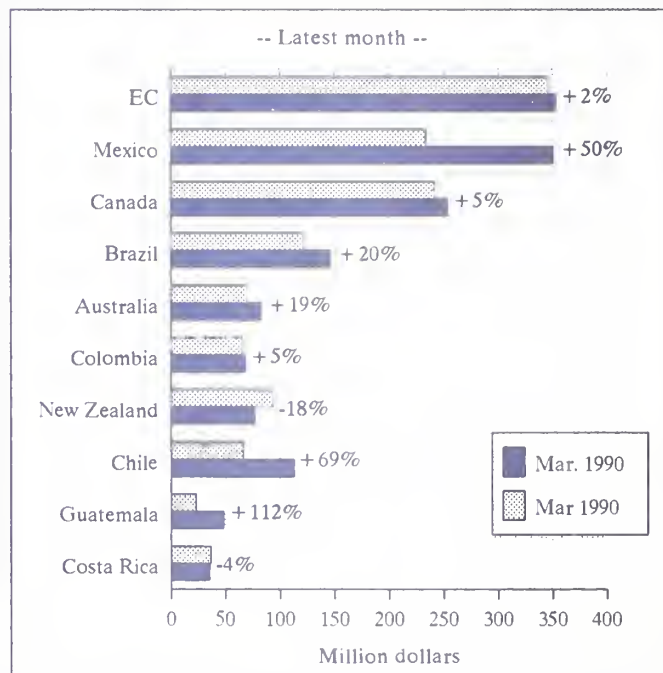
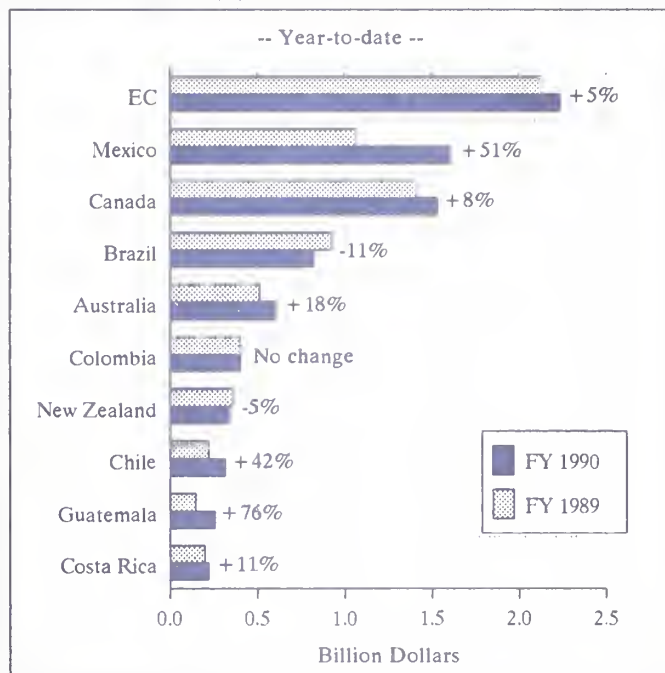
U.S. Agricultural Import Summaries

October-March and Latest Month Comparisons

Product Summary



Top Ten Suppliers Summary



Note: Percentages are computed as the change from a year ago.

Trade Policy Updates

Status of Uruguay Round Negotiations

At a recent informal meeting in Mexico of Trade Ministers from member countries of the General Agreement on Tariffs and Trade (GATT), it was agreed that participants in the Uruguay Round would push to complete *Framework Agreements* in all of the 15 Negotiating Groups by July 23, 1990--the date for a meeting of the Trade Negotiating Group in Geneva. Work in the Agriculture Negotiating Group is proceeding, although significant differences still remain. Negotiations are scheduled to conclude early in December at a conference in Brussels.

Canadians Remove Snapback on Asparagus

Canada's import tariff on U.S. asparagus was lowered to 12 percent ad valorem, effective May 16, from a 15-percent level which has been in effect since May 4 under the snapback provision of the U.S./Canadian Free Trade Agreement (FTA). This action came after the daily average price of asparagus imports remained above the benchmark level of Canadian \$1.81/kilogram for 5 consecutive working days. Under the snapback provision either country is permitted to increase its tariff on specific products to pre-FTA levels when import prices fall below the benchmark level (which varies by product and by month) for 5 consecutive working days.

GATT Observer Status Granted to Soviet Union

On May 16, the Soviet Union was granted GATT observer status at a GATT Council meeting after the United States withdrew its objection. At the recent Malta summit, the United States pledged to support Soviet GATT observership, but only after completion of the Uruguay Round. The Soviet Union has made participation in international economic organizations such as the GATT a major objective of its economic reform program. The GATT currently has 97 member nations. More than 30 countries have observer status.

East Germany and EC Sign Trade Agreement

On May 8, the German Democratic Republic (GDR) and the EC formally signed a trade and cooperation agreement. The signing sets the stage for the GDR's relationship with the EC during the transition period prior to full unification. Covering a variety of areas including agriculture, the agreement calls for the elimination of EC quotas on GDR products by 1995 and the development of a cooperation relationship. The 10-year treaty is intended to create a favorable climate for investment, joint ventures, and licensing agreements in the GDR.

FTA Talks on Agriculture Scheduled with Israel

U.S. agricultural trade policy concerns will be included in the next round of bilateral talks with Israel under the U.S.-Israel Free Trade Agreement, July 16-17, in Israel. On May 7-8, at FTA talks in Washington, Israeli and U.S. trade representatives discussed a wide range of trade policy issues, but did not include agriculture.

South Korea and Australia Reach Agreement on Beef

On April 26, the Republic of Korea (ROK) and Australia signed an agreement on beef, which differs little from the U.S.-ROK agreement reached in March. The Australia-ROK agreement encourages Australian participation in the development of the simultaneous-buy-sell (SBS) system, which was established under the U.S.-ROK agreement as a means of increasing exporters' direct access to the hotel and restaurant trade.

EC Agriculture Council Passes 1990/91 Price Package

Eleven EC Agriculture Ministers (France abstained) voted April 27 to pass the 1990/91 price package. The compromise package adheres to the EC's budget guideline for agriculture. The price package includes a general price freeze (in terms of the ECU--European Currency Unit) and price cuts mandated by stabilizer schemes, which various Ministers emphasized would make the EC farm program for the coming year consistent with the Uruguay Round negotiations.

...Trade Policy Updates

...EC Agriculture Council (continued)

Operational changes, however, in the dairy and cereals sectors and a delayed realignment of the green rates will offset the negative impact of the price freeze and the price cuts on farmers. Key elements of the package include: a reduction in the delay period for intervention payments from 120 to 30 days for cereals and from 120 to 45 days for beef and dairy; an increase in monthly increments (amounts added to support prices over time to account for storage and other carrying costs) for all cereals; and a commitment to expand exports of beef and dairy.

The Council also directed the Commission to re-examine its proposal to facilitate the incorporation of cereals in feed and committed itself to make a decision on establishing import restrictions on levulose (chemically pure fructose) as soon as Parliament's opinion has been announced. A subsidy scheme for other grains (buckwheat, millet, and canary seed) was also adopted. In other business, the Council adopted the Commission's recommendation for a moratorium on bovine somatotropin (BST) through December 31, 1990.

EC Agriculture Council Issues Declaration on Uruguay Round

On the basis of the framework already agreed in the GATT, the EC Agriculture Council, in a meeting April 25-27, reaffirmed the community's commitment to continue to participate constructively in the Uruguay Round. The Council also confirmed its support for the community's proposal submitted to the GATT Agriculture Negotiating Group in December, 1989.

Included in the Council's support is the proposal to treat rebalancing and export competition in a manner consistent with the EC's global approach. The Council stressed the need to obtain full credit for reform measures implemented in the community since 1986.

The Council noted that the Commission would continue to defend the basic principles of the Common Agricultural Policy (CAP). In particular, the Council supports the two-tier price system, community preference, and the role of market policy as central elements of the CAP. The Council indicated that these principles were not negotiable.

Trade Policy Fact Sheets

- U.S.-Canadian Free Trade Pact and What it Means to U.S. Agriculture
- Section 301: Protecting U.S. Trade Rights
- Multilateral Trade Talks and U.S. Agriculture
- U.S.-EC Agreement on Compensation for EC Enlargement
- U.S. Agricultural Proposal in Multilateral Trade Negotiations
- U.S. Legislation Counters Unfair Foreign Trade Practices

Requests for copies of Fact Sheets listed above may be sent to the Trade Assistance and Planning Office, Foreign Agricultural Service, 3101 Park Center Drive, Suite 1103, Alexandria, VA 22302. Tel: (703) 756-6001. FAX (703) 756-6124.

Trade Policy Updates are intended to provide information on trade policy issues not widely covered in the media, but which are important to U.S. trade. They are prepared monthly by the Trade Assistance and Planning Office, International Trade Policy, Foreign Agricultural Service, U.S. Department of Agriculture. For more information, contact James E. Ross at (703) 756-6001.

Market Updates

Concessions Reached In Super 301 Talks On Forest Products

Final Super 301 talks resulted in significant concessions on tariff misclassification of laminated veneer lumber and reductions in all tariffs. Cuts in tariffs during the Uruguay Round will be equal to or larger than the reductions during the Tokyo Round. No paper had been signed at the plenary because Japan's concessions on building codes and standards were unacceptable to the United States. These outstanding differences were resolved, and industry reportedly has strongly endorsed the final outcome.

Positive Trade Balance For Solid Wood Products Up Sharply

Exports of solid wood products exceeded imports by 34 percent during the first 2 months of this year compared with a small negative balance during the January-February period of 1989. Exports rose by one-third to \$1.1 billion, while imports dropped 5 percent to \$800 million. Japan and Canada accounted for the major increases, up 30 and 50 percent, respectively.

Increased Corn Imports For Mexico

Mexico's corn import needs for marketing year 1990 are now estimated to reach a record 4.6 million tons, a 50-percent increase over last year's level. Rising domestic consumption and the rebuilding of stocks account for the increase. The United States normally supplies the vast majority of Mexico's imported corn. Mexico is now the fourth largest U.S. corn market.

USSR Continues To Buy U.S. Broiler Meat

The Soviet government and a U.S. export firm contracted for the sale of 50,000 tons of leg quarters. The sale of 40,000 tons of broiler meat in the fourth quarter of 1989 was the Soviet Union's first purchase since 1977. Sales since the fall of 1989 and sales under the new contract will total approximately 130,000 tons. Delivery for this latest contract is planned for July through October.

Strong Beef Demand Continues in Korea

With South Korea's previous beef purchases in 1990 and a new tender totaling more than 51,000 tons, the 58,000 ton quota will be reached by mid-year. The tender announced on May 11 is for 13,360 tons of frozen beef. Korea has said it will probably increase its purchases over the 1990 quota level, but this increase will be borrowed from the 1991 quota level. The United States is expected to supply one-quarter of the 1990 quota.

Yugoslavia Exports Illegal Beef to the EC

According to press information, four Yugoslav slaughter houses have been excluded from the list of those eligible to export meat to the EC. The delisting resulted from the export of sweetbreads that originated in the United States. The sweetbreads were repacked, labeled with Yugoslav certificates, and exported to the EC--an action contrary to both Yugoslav and EC regulations.

EC Suspends Import Levies for Eastern Europe

The EC announced that it suspended the 10-percent import levy for sheep meat, goat meat, and live animals entering the community from Eastern Europe. The levy suspension is retroactive to January 1, 1989, for meat products and January 1, 1990, for live-stock. The suspension is effective until December 31, 1992. The EC feels that negotiations for voluntary restraining agreements (VRA) have advanced sufficiently to warrant the suspension of the levy.

Iraq Buys Thai Rice

Iraq recently purchased 75,000 tons of Thai rice, the first such purchase in 2 months. Iraq normally purchases the bulk of its rice from the United States, but the lack of GSM-102 credit combined with Thailand's offer of 1-year credit has caused the shift in suppliers. With annual import needs of roughly 600,000 tons, Iraq is one of the world's largest rice markets and regularly accounts for about 20 percent of U.S. rice exports.

...Market Updates

Philippines Buys Vietnamese Rice

A recent purchase of 100,000 tons of rice from Vietnam brings total Philippine imports for 1990 to 266,000 tons. Although the purchase from Vietnam is likely to meet import needs through June, another 150,000 to 200,000 tons of imports are being sought for delivery by July or August in order to meet domestic consumption requirements. Because of financial constraints, the Philippines is hoping to source additional imports through aid programs.

Egypt Rumored To Receive Large Wheat Donation

Several Arab countries have reportedly banned together to donate wheat to Egypt to help cover a portion of that country's summer import needs, estimated at 700,000 tons. This would cover about 10 percent of Egypt's annual wheat and wheat flour import requirements. In the past, Saudi Arabia has either donated wheat to Egypt or helped finance the purchases. Recently, Egypt has not received additional credit from either the United States or the EC since its payments are in arrears.

Brazilian Producers Hold Soybeans

Brazilian soybean producers are reluctant to sell their crops either to local processors or to exporters until the current price situation improves. According to traders, sales from producers have been particularly slow in the past few weeks because of a steep decline in prices. Two weeks ago, internal soybean prices were 20 percent higher than export prices. That margin has since slipped to around 4 percent. With the Brazilian harvest now more than 90 percent complete, only 10 to 15 percent of the crop has been marketed, half of the normal level at this time of year.

Flooding Lowers Australia's Cotton Export Potential

Flooding in the aftermath of recent heavy rains has undermined the quality of Australia's 1989/90 cotton crop, according to press reports. The principal growing areas of New South Wales and Queensland have both suffered damage, which could be as high as \$50 million, or 20 percent of growers' expected returns. Some cotton is likely to be downgraded from the earlier strict-middling grades to strict low middling. USDA's production and export estimates for Australia were both lowered this month to 1.3 million bales.

Taiwan's Textile Industry Slows; U.S. Cotton Holds Its Ground

Demand for raw cotton in Taiwan is less in marketing year 1990 than previously expected. Official import statistics for August-December 1989 reveal that Taiwan imported 425,000 bales, down 37 percent from the previous year. Taiwan's fast-growing economy is characterized by acute labor shortages, rising labor costs, and an appreciating currency. These factors, along with weak demand for intermediate and final-level textile products, are resulting in a slowdown in Taiwan's labor-intensive textile industry.

Marlboro Man Rides In Turkey

Philip Morris and Turkey's tobacco monopoly (TEKEL) signed a Memorandum of Understanding to produce Marlboro cigarettes in Turkey. A Turkish company, Philsa Tutun A.S., was established to manufacture and market all Philip Morris brands. Turkey will increase its imports of burley and flue-cured tobacco to supply this new project, and to satisfy TEKEL's expansion of TEKEL 2000 (an American-blend cigarette). U.S. tobacco exports to Turkey should increase as a result if prices remain competitive.

Cuban Cigar Production Shifts to the Dominican Republic

Davidoff International, manufacturers of premium cigars, has shifted production from Cuba to the Dominican Republic. Davidoff officials indicated this change was due to diminishing Cuban quality control standards. However, Cuban officials feel the move was so Davidoff could gain access to the U.S. market. Imports by the United States from Cuba have not been permitted since 1961. U.S. imports from the Dominican Republic totaled 49.5 million pieces in 1989, or 46 percent of total U.S. cigar imports.

...Market Updates

EC Initiative To Dump Surplus Wheat On World Market

A final EC decision will be made later this week on the proposal to export 1 million tons of French and German surplus wheat from intervention stocks. With world prices already falling in anticipation of a bumper global wheat harvest, this initiative will exacerbate the downward pressure on prices.

Reduced Wheat Import Needs in Pakistan

Pakistan's wheat import needs in 1990/91 may be only half of the previous year's import estimate of 1.6 million tons due to prospects for a record 1990 crop. Since the United States normally supplies about 90 percent of Pakistan's import needs, the possible export market loss could be 700,000 to 800,000 tons.

Brazilian Leaf Exports Seen Dropping in 1990

Brazilian leaf exports are expected to reach 195,000 tons in 1990, 3 percent less than in 1989. Reduced production levels and an increase in the acquisition cost of Brazilian Virginia flue-cured tobacco account for the decline. However, the expected drop in Brazilian leaf exports is not expected to have a significant effect on U.S. leaf trade as Brazilian flue-cured will remain price competitive on the world market.

Argentine Leaf Exports For 1990 Climb 11 Percent

Argentina's unmanufactured tobacco exports are expected to reach 35,270 tons in 1990. This represents a gain of 3,498 tons over 1989. Much of this rise can be attributed to improved export prospects for Argentine burley, particularly that grown in Misiones. Due to improved cultural practices, Misiones burley is becoming recognized internationally as a top-quality burley tobacco. The United States is the leading market for Argentine burley tobacco, accounting for nearly 60 percent of this trade.

Eight Countries Receive P.L. 480 Funds or GSM Credits

Four fiscal 1990 P.L. 480, title I funded agreements were recently announced. On April 19, Costa Rica signed for \$10.0 million worth of wheat and \$5.0 million worth of wood products. On April 24, an agreement was reached with Morocco to provide \$23 million worth of vegetable oil and \$10.0 million worth of wheat. An agreement with Cote D'Ivoire will provide 30-year financing on \$10 million of rice (expected to be long grain), and represents a major component of the U.S. Rice Council's efforts in West Africa. On May 4, Nicaragua's new government signed a Food for Progress agreement, the first ever to use P.L. 480, title I funding. The agreement will grant \$10.8 million in corn, tallow, vegetable oil, and freight in exchange for the Nicaraguan government's support of private sector initiatives.

To maintain U.S. market share in Ecuador, particularly for wheat, USDA announced on May 8 an increase of \$20 million in the country's GSM-102 export credit guarantee coverage. The announcement included a \$2 million reallocation, from cotton to oilseeds, and increases in wheat (\$11 million), feed grains (\$1 million), vegetable oil (\$6 million), and tallow (\$2 million). USDA increased Mexico's GSM-102 credit guarantee coverage by \$150 million, to a new total of nearly \$1.4 billion. The increase was apportioned to wheat (\$25 million), feed grains (\$90 million), tallow, grease, and lard (\$10 million), and an undesignated line (\$25 million). GSM-103 intermediate term coverage was increased by \$30 million for Jordan and by \$25 million for Sri Lanka. Jordan's increase was divided between wheat and feed grains (\$20 million and \$10 million, respectively), and Sri Lanka's increase was limited to wheat.

For more information, contact Ron Croushorn at (202) 382-9522.

U.S. Agricultural Exports by Major Commodity Group

Year-to-date Performance Indicators and Fiscal 1990 Forecasts

	October-March			Fiscal Year		
	1988/89	1989/90		1989	1990 (f) 1/	
	-- Billion dollars --		% Change	-- Billion dollars --		% Change
Grains & feeds 2/	8.553	8.710	2%	17.098	16.1	-6%
Wheat	2.885	2.263	-22%	6.018	5.1	-15%
Wheat flour	0.123	0.121	-2%	0.266	0.2	-25%
Rice	0.473	0.498	5%	0.956	0.9	-6%
Feed grains 3/	3.814	4.432	16%	7.403	7.3	-1%
Corn	3.127	3.804	22%	6.108	6.4	5%
Feeds & fodders	0.938	0.972	4%	1.822	NA	NA
Oilseeds & products	4.542	4.028	-11%	6.779	5.7	-16%
Soybeans	2.982	2.790	-6%	4.086	3.5	-14%
Soybean meal	0.867	0.580	-33%	1.290	0.9	-30%
Soybean oil	0.180	0.161	-11%	0.404	0.3	-26%
Other vegetable oils	0.213	0.189	-11%	0.416	NA	NA
Livestock products	2.747	2.727	-1%	5.391	5.5	2%
Red meats	1.139	1.176	3%	2.327	NA	NA
Animal fats	0.279	0.240	-14%	0.524	NA	NA
Poultry products	0.360	0.407	13%	0.730	0.8	10%
Poultry meat	0.250	0.298	19%	0.513	NA	NA
Dairy products	0.242	0.155	-36%	0.489	0.5	2%
Horticultural products	1.983	2.348	18%	4.159	4.3	3%
Unmanufactured tobacco	0.814	0.848	4%	1.274	1.3	2%
Cotton & linters	0.965	1.567	62%	2.059	2.6	26%
Planting seeds	0.300	0.373	24%	0.498	0.5	0%
Sugar & tropical products	0.601	0.711	18%	1.190	1.3	9%
Wood products 4/	2.655	3.195	20%	5.876	NA	NA
Total agricultural export value	21.108	21.877	4%	39.668	38.5	-3%

	-- Mil. metric tons --		% Change	-- Mil. metric tons --		% Change
Grains & feeds 2/	57.546	61.956	8%	115.245	NA	NA
Wheat	18.271	13.991	-23%	37.775	33.0	-13%
Wheat flour	0.599	0.518	-14%	1.240	1.3	5%
Rice	1.563	1.510	-3%	3.053	2.6	-15%
Feed grains 3/	30.832	39.327	28%	60.971	66.5	9%
Corn	26.009	34.061	31%	50.556	58.0	15%
Feeds & fodders	5.669	5.879	4%	11.005	11.0	0%
Oilseeds & products	14.293	16.174	13%	21.509	NA	NA
Soybeans	10.090	12.380	23%	14.111	16.1	14%
Soybean meal	3.050	2.630	-14%	4.655	4.2	-10%
Soybean oil	0.323	0.321	-1%	0.754	0.7	-7%
Other vegetable oils	0.340	0.312	-8%	0.683	NA	NA
Livestock products 5/	1.218	1.220	0%	2.508	NA	NA
Red meats	0.374	0.401	7%	0.807	0.9	12%
Animal fats	0.710	0.662	-7%	1.369	1.4	2%
Poultry products 5/	0.229	0.289	26%	0.483	NA	NA
Poultry meat	0.220	0.284	29%	0.465	0.6	29%
Dairy products 5/	0.157	0.091	-42%	0.353	NA	NA
Horticultural products 5/	1.907	2.105	10%	3.799	3.9	3%
Unmanufactured tobacco	0.134	0.140	4%	0.258	0.2	-22%
Cotton & linters	0.715	0.980	37%	1.491	1.7	14%
Planting seeds	0.220	0.297	35%	0.497	NA	NA
Sugar & tropical products 5/	0.398	0.513	29%	0.933	NA	NA
Total agricultural export volume 5/	76.818	83.768	9%	146.771	148.5	1%

NA = Not available.

1/ Export forecasts are from February 27, 1990, "Outlook for U.S. Agricultural Exports."

2/ Includes pulses and corn gluten feed and meal.

3/ Includes corn, oats, barley, rye, and sorghum and products.

4/ Wood products are not included in agricultural product value totals.

5/ Includes only those items measured in metric tons.

Source: U.S. Bureau of the Census and February 27, 1990, "Outlook for U.S. Agricultural Exports."

Weekly Quotations for Selected International Prices 1/

Dollars per metric ton	Week of 5/17/90	Month ago	Year ago
Wheat (c.i.f. Rotterdam) 2/			
Canadian No. 1 CWRS 13.5%	199	196	211
U.S. No. 2 DNS 14 %	178	175	197
U.S. No. 2 SRW	150	150	179
U.S. No. 3 HAD	186	188	197
Canadian No. 1 durum	187	191	205
Feed Grains (c.i.f. Rotterdam) 2/			
U.S. No. 3 yellow corn	137	138	140
Soybeans and Meal (c.i.f. Rotterdam) 2/			
U.S. No. 2 yellow soybeans	270	253	286
U.S. 44 % soybean meal	NQ	NQ	256
Brazil 48 % soy pellets	217	200	256
U.S. Farm Prices 3/ 4/			
Wheat	123	130	166
Barley	88	82	113
Corn	105	100	101
Sorghum	93	87	95
Broiler 5/	1,355	1,209	1,554
Soybeans 6/	230	211	264
EC Import Levies			
Common wheat	114	113	125
Durum wheat	156	153	NA
Barley	108	107	130
Corn	108	108	137
Sorghum	108	114	147
Broilers	275	280	NA
EC Intervention Prices 7/			
Premium wheat	151	152	208
Common wheat	148	150	204
Feed wheat	141	142	195
Maize	148	150	204
Barley	141	142	195
Sorghum	141	142	195
Broilers	923	941	NA
EC Export Restitution (subsidies)8/			
Common wheat	74	74	45
Barley	71	71	68
Broilers	290	296	NA

NQ = No quote. NA = Not available. Note: Changes in dollar value of EC import levies, intervention prices, and export restitutions may be the result of changes in \$/ECU exchange rates.

1/ Mid-week quote. 2/ Asking price in dollars for imported grain and soybeans and soybean products, c.i.f. Rotterdam for nearby delivery. 3/ Five-day moving average. 4/ Target price for current marketing year in \$/metric ton: wheat, \$151; barley, \$112; corn, \$112; sorghum, \$106; soybean loan rate, \$166. 5/ Composite 12-city weighted average price for trucklot sales to be delivered to first receiver. 6/ Central Illinois processors bid to arrive. 7/ Buy-in equals 94% of intervention price plus full value of monthly increments. 8/ Figures represent restitutions awarded nearest to the listed dates, * denotes no award given since the previous month.

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